

**BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION**

**In the Matter of the Nebraska Public Service Commission, on its own motion, seeking to investigate the use of expense caps in the earnings calculation for Nebraska universal service fund support.**

**Application No. NUSF-64**

**QWEST CORPORATION'S INITIAL COMMENTS**

Qwest Corporation ("Qwest") submits its comments to the *Order Seeking Comment* dated March 6, 2007 ("Order") as follows:

***Introduction***

Qwest appreciates the opportunity to offer comments on the topic of expense caps in the calculation of NUSF support. It is important for NUSF support to be used only for the purposes intended, and carefully drafted rules can aid this effort. However, the Commission should not implement expense cap rules without a formal rulemaking. As Qwest has noted in other proceedings, formal rulemakings benefit all parties involved. Carriers benefit from the procedural protections of rulemakings and the certain notice of the Commission's rules regarding NUSF support and accounting for expenses. The Commission benefits by gaining additional enforcement authority provided by the notice and certainty of formally adopted rules.

With that said, Qwest offers a few comments on two of the questions raised in the Commission's order. Qwest reserves the right to offer additional comments in reply or in testimony.

**1. How will or should implementation of expense caps be administered through the NUSF-EARN Form process?**

The NUSF-EARN form process should only include supported services. For calculating revenues, expenses, and investments that are included in the NUSF-EARN form, Qwest has used its embedded cost allocation system (CAAS), including as supported services:

- Single party residence service
- Single party business services
- Switched access service
- Special access service
- Interconnected local service (UNE, QPP, resale)

This structure follows verbal guidance from the NUSF Administrator, consistent with the Commission's directives in Docket No. C-1628, Progression Order No. 5 (March 9, 1999), which provides in relevant part:

Furthermore, the Commission clarifies its intentions regarding supported services. As set forth on page three of the Commission's January 13, 1999 Order in C-1628, supported services consist of: single party service; touch-tone; standard "white page" or alpha directory listing; access to directory assistance; access to interexchange services; access to emergency services such as 911 or E911; and access to operator services. In the context of focusing the embedded cost calculation for universal service support to supported services, costs shall include the costs for the services listed above including state access charges, extended area service, and other local calling plans.

With the implementation of Docket No. NUSF-26, the Commission ordered that business service is no longer supported by the NUSF. More specifically, the Commission held in paragraph 35 of that order that "the Commission is adopting a support mechanism based upon households, which would exclude most businesses. . . ;" and held in paragraph 29 that "[a]s a general matter, the Commission will no longer be

porting support for business lines.”<sup>1</sup> As a result, Qwest’s position is to no longer classify revenue, expense, and investment for single party business and special access services – business services – as “supported services” in Qwest’s NUSF-EARN form.

Qwest addressed this issue at the Commission’s NUSF-64 workshop on January 31, 2007, and in a letter from Bob Lanphier to Jeff Pursley dated February 19, 2007. The NUSF-EARN form should only address supported services, and now that business services are no longer supported, expenses, investment, and revenue associated with those services is irrelevant to eligibility for or use of NUSF support.

In connection with this change, NUSF-EARN results for 2005 and 2006 should be changed to reflect the Commission’s decision in Docket NUSF-26. Qwest’s NUSF-EARN form for 2007 uses a three year average. With this change, the 2005 and 2006 results should be adjusted to match the Commission’s decision.

**5. *Should the proposal to establish expense caps contain different terms and conditions applicable to rural and non-rural NETCs?***

No. Both federal and state NUSF statutes require that the rules governing state USF support must be competitively neutral. Qwest serves more rural lines than any other NETC, and faces the same calculus of costs and expenses that other carriers face in those areas. Any rules that are adopted must be competitively neutral, and different rules for different carriers would likely violate this requirement.

---

<sup>1</sup> The grandfathering of prior porting for business lines has since been modified, and the entire porting scheme is subject to revision in pending Docket No. NUSF-50, Progression Order 3.

Dated Friday, April 6, 2007.

Respectfully submitted,

QWEST CORPORATION

By:

  
Jill Vinjamuri-Gettman #20763

GETTMAN & MILLS LLP

10250 Regency Circle Suite 200

Omaha, NE 68114

(402) 320-6000

(402) 391-6500 (fax)

jgettman@gettmanmills.com

Timothy J. Goodwin

QWEST SERVICES CORPORATION

1801 California, Ste. 1000

Denver, CO 80202

303-383-6612

303-296-3132 (fax)

tim.goodwin@qwest.com

ATTORNEYS FOR QWEST CORPORATION